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No. 07-202

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SUPREME COURT, U.S.

In The

Supreme Court of the United States

M2 SOFTWARE, INC.,

Petitioner,

v.

VIACOM, INC., VIACOM INTERNATIONAL, INC., AND MTV NETWORKS COMPANY,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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CORPORATE DISCLOSURE STATEMENT PURSUANT TO SUPREME COURT RULE 29.6

Respondent Viacom Inc. is a publicly held company listed on the New York Stock Exchange. Viacom Inc. has no parent, and no publicly held company owns 10% or more of its stock. Respondent Viacom International Inc. is a wholly owned subsidiary of Viacom Inc. Respondent MTV Networks (improperly designated as MTV Networks Company) is a division of Viacom International Inc.

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BRIEF FOR THE RESPONDENTS

STATEMENT OF THE CASE

Petitioner M2 Software, Inc. ("Petitioner") is a one-man corporation that developed and licenses a record industry royalty database software system using the federally registered trademark "M2."[1] App. at 38a.[2] Using the M2 mark, Petitioner also briefly created and distributed a commercially unsuccessful line of interactive video products on CD-ROM. *Id.* at 39a.

Respondents Viacom Inc., Viacom International Inc. and MTV Networks (collectively, "Respondents") are all part of the Viacom family of entertainment-related businesses. *Id.* at 39a-40a. In August 1981, Respondent MTV Networks launched MTV: MUSIC TELEVISION ("MTV"), a television network featuring music-based programming and distributed primarily through cable and satellite television providers. *Id.* at 40a. MTV was, and at all times since 1981 has been, identified and promoted using its now famous federally registered mark and the associated iconic MTV logo depicted below (the "MTV Logo").[3]

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[1] United States Trademark Registration Number 1,931,182.

[2] As used herein, the Appendix to the Petition is referred to as "App."; and the Appendix to this Opposition is referred to as "Supp. App."

[3] Respondent owns numerous trademark registrations in the United States relating to MTV: MUSIC TELEVISION and MTV, including the original MTV Logo, identified as United

(Continued on following page)

In August 1996, 15 years after MTV's launch, Respondents launched a companion network – M2: MUSIC TELEVISION. *Id.* at 40a. Underscoring the link to MTV and as depicted below, the original logo for M2: MUSIC TELEVISION was the flip-side, or exact reverse, of the MTV: MUSIC TELEVISION mark with the number "2" set inside it. Supp. App. at 19a n.1.

This companion network operated under the name M2: MUSIC TELEVISION for less than three years – from the August 1996 launch through March 1999, when respondent changed the name of the network to MTV2. *Id.* at 6a. During this time, the companion network never made a profit and had no

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States Trademark Registration Numbers 1,310,411; 1,373,948; 1,373,884; 1,373,885; 1,374,812; 1,373,690; 1,374,710; 1,373,804; 1,374,783; 1,372,705; 1,372,615; 1,580,650; 1,400,277; 1,401,139; 1,401,140; 1,818,179; 2,259,143; 2,472,785; and 2,418,808.

meaningful revenues. App. at 40a. M2: MUSIC TELEVISION was provided to cable and satellite operators for free, and Respondents received no advertising income attributable to it. *Id.*

On October 28, 1998, Petitioner commenced this action in the United States District Court for the Central District of California. *Id.* at 36a-37a. Petitioner alleged that Respondents' use of the M2: MUSIC TELEVISION name and logo infringed on and was otherwise inconsistent with Petitioner's rights in the M2 mark. *Id.* Petitioner asserted several trademark-related causes of action under the Lanham Act and California state law. *Id.* Petitioner demanded monetary damages, including actual damages and an accounting of Respondents' profits. *Id.* Petitioner also sought a preliminary and a permanent injunction prohibiting Respondents' use of the M2: MUSIC TELEVISION name and logo. *Id.* The District Court denied Petitioner's motion for a preliminary injunction in January 1999. *Id.* at 37a.

As indicated above, in March 1999, Respondents voluntarily changed the name of the MTV companion music channel from M2: MUSIC TELEVISION to MTV2. *Id.* at 82a. Respondents also abandoned all use of the M2: MUSIC TELEVISION name and logo. *Id.* Instead, to identify and promote MTV2, Respondents used only a new logo comprised of the famous MTV Logo juxtaposed with the numeral "2." *Id.* Although the new MTV2 logo was displayed in slightly varying sizes, orientations and colors depending upon the background against which it appeared,

the new logo always consisted of the famous MTV Logo and the number "2" separated by a line, as demonstrated below. *Id.*, Ex. 1; Supp. App. at 19a n.1.

On July 27, 2000, the District Court granted summary judgment for Respondent, dismissing all of Petitioner's claims based upon its finding that there was no likelihood of confusion. App. at 9a. On January 30, 2002, the Ninth Circuit reversed the District Court's dismissal, but only as to *one* of Petitioner's claims. *Id.* at 9a, 32a-35a.

The Ninth Circuit held that the District Court had erroneously dismissed Petitioner's federal trademark infringement claim for "reverse confusion" based upon Respondents' brief use of the M2: MUSIC TELEVISION name and logo because, in deciding the likelihood of confusion issue, the District Court did not specifically consider Petitioner's use of the M2 mark in connection with Petitioners' distribution of interactive CD-ROMs. *Id.* at 33a-35a. No other claim was revived. *Id.*

On September 5, 2002, the Ninth Circuit issued a second opinion "clarifying" its initial decision. Supp. App. at 1a. This second opinion made clear that the January 20, 2002 decision revived only Petitioner's claim for federal trademark infringement based upon

Respondents' use of the M2: MUSIC TELEVISION name and logo because no other claims had been raised on appeal, and "thus any other claims were waived." *Id.*

After remand, the case was fully resolved in three rulings. First, on March 15, 2004, the District Court granted summary adjudication in favor of Respondent with respect to all monetary damage claims. App. at 30a. The Court ruled that Petitioner's "actual damage" claims failed because Petitioner did not adduce any evidence to support its claim that it was damaged as a result of the alleged infringement. *Id.* at 22a-26a. The Court rejected Petitioner's "reasonable royalty" claims as "improperly speculative" and unreasonable. *Id.* at 26a-27a. And the Court ruled that, because Respondents' allegedly infringing use of the M2: MUSIC TELEVISION name and logo from August 1996 through March 1999 was neither "willful" nor "in bad faith," Petitioner's claim for an award of Respondents' alleged profits on a theory of unjust enrichment was precluded as a matter of law, citing Ninth Circuit case law. *Id.* at 27a-29a.

Second, on August 9, 2004, the District Court granted summary adjudication against Petitioner with respect to its claim that the MTV2 logo also infringed on its M2 mark. Supp. App. at 26a-27a. The District Court ruled that this claim was waived because, in its July 27, 2000 decision, the District Court specifically ruled that there was no likelihood of confusion between the M2 mark and the MTV2

logo, and Petitioner did not raise this issue in its appeal of that decision. *Id.* at 21a.

Finally, on September 8, 2004, the District Court entered its final dispositive ruling. App. at 8a-12a. Adopting the terms of an injunction that Respondents proposed "as a compromise in an effort to resolve [the] matter, . . . without admitting any liability," the District Court permanently enjoined Respondents from "using the specific marks M2 or M2: MUSIC TELEVISION to identify any of [Respondents'] programming services or to identify any of [Respondents'] interactive multimedia products." *Id.* at 10a-11a. Disposing of all other claims, the Court entered a final judgment, as required under Federal Rule of Civil Procedure 77(d), adopting and incorporating its earlier orders granting summary adjudication against Petitioner. *Id.* at 8a.

On February 28, 2007, the Ninth Circuit affirmed the District Court's permanent injunction and final judgment in all respects material to the Petition.[4] App. 1a-7a. The Ninth Circuit affirmed the dismissal of all federal trademark infringement claims pertaining to

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[4] Because it was not sufficiently clear "whether [the] permanent injunction extended to [Respondents'] future use of the original [M2: MUSIC TELEVISION] logo," the Ninth Circuit remanded the case to the District Court to "clarify" the matter. App. at 6a-7a. On October 1, 2007, the District Court entered its Minute Order clarifying that, indeed, the permanent injunction does extend to the original M2: MUSIC TELEVISION logo. Supp. App. at 28a-29a.

the MTV2 logo, agreeing with the District Court that Petitioner "waived any challenge to the MTV2 logos by failing to raise the issue in its first appeal." *Id.* at 5a. Agreeing that "[n]o reasonable factfinder could conclude that [Petitioner] was entitled to any actual damages," the Ninth Circuit affirmed the District Court's dismissal of Petitioner's actual damage claim on the ground that Petitioner "has not produced any evidence of confusion between its [M2] mark and [Respondents'] mark." *Id.* at 2a-3a. The Ninth Circuit also affirmed the dismissal of Petitioner's claim for "reasonable royalties," finding that the claim "hinged upon," and thus had no merit independent of, Petitioner's claim for an award of profits based upon its theory of unjust enrichment. *Id.* at 4a.

Affirming the dismissal of Petitioner's claim for an award of profits, the Ninth Circuit made two significant rulings. First, the Ninth Circuit held that an award of profits could not be made because there was no evidence "from which a reasonable factfinder could conclude that [Respondents] willfully infringed [Petitioner's] trademark" and that, absent proof of willfulness or bad faith, an award of profit claim is precluded by the *per se* "equitable limitation upon the granting of monetary awards" for infringement described in *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400 (9th Cir. 1993). *Id.* at 3a-4a. In addition, the Ninth Circuit rejected Petitioner's claim that the 1999 amendment to 15 U.S.C. §1117(a) required a contrary holding. *Id.* at 4a-5a. Rather, the Ninth Court held that the 1999 amendment was irrelevant

to its ruling because all of the allegedly infringing acts in issue occurred prior to the effective date of the 1999 amendment and must be governed by the law applicable before the amendment. *Id.*

LEGISLATIVE HISTORY

Before Congressional enactment of trademark laws, trademark rights were enforced in equity under the common law. Applying long-settled common-law principles of equity, this Court consistently held that, although infringement of a mark may be enjoined regardless of the infringer's intent, "an account of gains and profits" for infringement may not be required absent willful or "fraudulent" intent. *See Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42, 42-43 (1900); *McLean v. Fleming*, 96 U.S. 245, 258 (1878).

Federal statutory protection of trademark rights first occurred when Congress passed the Trade-Mark Act of 1905 (the "1905 Act"). The 1905 Act provided basic legislation under which technical trademarks were registered and protected. Although the 1905 Act did not specify the intent required to obtain an award of actual damages or profits for infringement, *see* J.M. Koelemay, "Monetary Relief for Trademark Infringement Under the Lanham Act," 72 Trademark Rep. 458, 460 n.6 (1982), this Court continued to adhere to the common law rule that injunctive relief satisfies the equities of the case when "there has been no showing of fraud or palming off" and the likelihood of

actual damage or profit "seems slight." *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947).

In a complete rewrite of federal trademark legislation, the 1905 Act was superseded by the Lanham Act, 15 U.S.C. §§1051 et seq. (the "Act"), in 1946. As originally adopted, the Act protected trademark rights against only infringement (*i.e.*, likely or actual consumer confusion). The Act did not protect against trademark dilution. In addition, the Act did not expressly state the intent required to obtain an award of profits. Nevertheless, the Act was not silent as to the requisite intent. To the contrary, 15 U.S.C. §1117(a) made clear that a trademark owner could recover an infringer's profits "subject to the principles of equity," *id.*, and then-settled "principles of equity" dictated that an award of profits required proof of willful or "fraudulent" infringement. *See Saxlehner*, 179 U.S. at 42-43; *McLean*, 96 U.S. at 258; *accord Champion*, 331 U.S. at 131.

For more than 50 years after enactment of the Lanham Act, federal courts consistently applied the long-established common-law "principle of equity" that an account of gains and profits for trademark infringement may not be awarded absent willful, fraudulent, or bad faith misconduct. By making an award of profits expressly "subject to the principles of equity," §1117(a) plainly required the application of this *per se* rule. This interpretation also conforms to a well-established rule of statutory construction. As this Court recently reiterated, "a major departure from the long history of equity practice should not be

lightly implied," especially in the absence of statutory proof that "Congress intended such a departure." *eBay Inc. v. MercExchange, LLC*, ___ U.S. ___, 126 S. Ct. 1837, 1839 (2006).

In 1995, Congress expanded a trademark owner's protection rights beyond claims of infringement. Adopting the Federal Trademark Dilution Act ("the FTDA"), Congress amended 15 U.S.C. §1125 to protect against, and provide enforcement and compensation for, the "dilution" of famous marks. 15 U.S.C. §1125(c). Inasmuch as such rights did not exist under the common law, the FTDA expressly provided that, for statutory dilution claims, money damages could not be awarded unless the infringer "willfully intended to trade on the reputation of the famous mark" or "willfully intended" to harm the mark's reputation. *Id.*

Contrasting the FTDA's express requirement of "willful intent" with the Lanham Act's silence regarding the intent required to obtain award of profits for trademark infringement, legal commentators began to speculate that adoption of the FTDA evidenced Congressional intent to dispel the existing *per se* rule that a defendant's profits could not be awarded absent proof of intentional or bad faith infringement. Despite these purely theoretical musings, federal appellate courts decisions continued to adhere to Supreme Court precedent holding that an award of profits may not be awarded against innocent or good faith infringers.

In 1999, the Lanham Act was amended again. Although most of the changes focused upon the requirements for proving a dilution claim under the FTDA, §1117(a) was also amended ("the 1999 Amendment"). Effective August 5, 1999, the 1999 Amendment amended the first sentence of §1117(a) by striking "a violation under section 1125(a) of this title [infringement]," and inserting "a violation under section 1125(a) of this title [infringement], or a willful violation under section 1125(c) of this title [dilution]." PL 106-43, 113 Stat. 218, 219 (Aug. 5, 1999).

Although an award of an infringer's profits under §1117(a) remains "subject to principles of equity," every federal appellate court to consider the effect of the 1999 Amendment has held that it clearly evidences the intent of Congress to permit an award of profits for federal trademark infringement without regard to the *per se* rule requiring willful or bad faith infringement. *See Quick Tech., Inc. v. Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002); *Banjo Buddies, Inc. v Renosky*, 399 F.3d 168 (3d Cir. 2005); *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162 (4th Cir. 2006) (collectively, the "1999 Amendment Cases").

REASONS FOR DENYING THE WRIT

I. Because Petitioner's Claim For An Award Of Respondent's Alleged Profits Is Based Upon Conduct Occurring Only Prior To The 1999 Amendment, There Is No Substantial And Recurring Conflict Between Circuit Court Opinions

The conflict between Circuit Court opinions alleged in the Petition is largely illusory and certainly not worthy of this Court's consideration.

Effective August 5, 1999, the 1999 Amendment modified the first sentence of §1117(a) to distinguish between a monetary claim for trademark infringement, which requires only "a violation," and a monetary claim for dilution, which requires "a willful violation." Because this case concerns only infringing acts allegedly occurring before August 5, 1999, the Ninth Circuit correctly held that cases interpreting the effect of the 1999 Amendment have no relevance to this matter, and Petitioner has not sought review from that particular determination. Instead, Petitioner asks the Court to reconcile a split of Circuit Court case law that supposedly predates the 1999 Amendment. Disregarding the 1999 Amendment Cases, it is clear that no such substantial or recurring conflict exists.

For more than one century, this Court has held firm to its rule that a grant of a writ of certiorari shall involve only matters "of importance to the public, as distinguished from that of the parties," or

"cases where there is a real and embarrassing conflict of opinion and authority between the Circuit Courts of Appeals." *Layne & Bowler Corp. v. W. Well Works*, 261 U.S. 387, 393 (1923).

Petitioner attempts to create an inference that a real and embarrassing conflict of opinion exists among federal appellate court opinions deciding whether willfulness is required to order an award of profits under §1117(a) for trademark infringement. To do so, Petitioner relies primarily upon the 1999 Amendment Cases, which uniformly held that the 1999 Amendment Cases, which uniformly held that the 1999 Amendment altered the preexisting *per se* rule that willfulness is required for an accounting of an infringer's profits in a trademark infringement action. In this case, however, Respondents voluntarily ended all use of the M2: MUSIC TELEVISION name and logo in March 1999, before the 1999 Amendment became effective August 5, 1999. Thus, as the Ninth Circuit held, Respondents' conduct must be considered based upon the case law applying §1117(a) before the 1999 Amendment took effect.

In cases involving allegedly infringing conduct occurring before August 5, 1999, the Circuit Courts almost uniformly followed the *per se* rule that an accounting for trademark profits cannot be awarded absent "willful" or "bad faith" infringement. *See, e.g.*, *Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749 (2d Cir. 1996) ("In order to recover an accounting or an infringer's profits, a plaintiff must prove that the infringer acted in bad

faith"); *Nalpac, Ltd. v. Corning Glass Works*, 784 F.2d 752, 755 (6th Cir. 1986) ("an accounting, the proper remedy when bad faith is shown, is inappropriate where 'there has been no showing of fraud or palming off' "); *Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242 (8th Cir. 1994) (an award of defendant's profits requires "willful, deliberate infringement or deception"); *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400 (9th Cir. 1993) (award of profits requires "willful infringement"); *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220 (10th Cir. 1998) (an award of profits requires proof that "defendant's actions were willful or in bad faith"); *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 95, 202 (D.C. Cir. 1990) ("an award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith").

Although Petitioner claims that the Third, Fifth Seventh and Eleventh Circuits applied a different rule, this conflict is manufactured. With respect to infringing conduct occurring before the 1999 Amendment took effect, the Third and Fifth Circuits expressly required willfulness or bad faith as a condition to an award of profits for trademark infringement, and the Eleventh Circuit appears to have applied the same rule for an award of profits under a theory of unjust enrichment, which is the particular accounting-for-profits claim in this case. *See Secura-Comm Consulting Inc. v. Securacom Inc.*, 166 F.3d 182, 190 (3d Cir. 1999) (holding that "a plaintiff must prove that an infringer acted willfully before the infringer's profits are recoverable"); *Pebble Beach Co.*

v. Tour 18 I Ltd., 155 F.3d 526, 555 (5th Cir. 1998) (absent "an intent to confuse or deceive, injunctive relief satisfies the equities" in a case for federal trademark infringement); *Babbit Elec., Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1182 (11th Cir. 1994) ("Where the defendant's infringement is deliberate and willful . . . , an accounting for profits is proper under a theory of unjust enrichment").

The Seventh Circuit decisions predating the 1999 Amendment also do not evidence a "real or embarrassing conflict" of appellate case law. The Seventh Circuit decision that supposedly rejected the *per se* rule of willfulness is *Ruolo v. Russ Berrie & Co., Inc.*, 886 F.2d 931 (7th Cir. 1989). In that case, the Seventh Circuit stated that "there is no express requirement [in the Lanham Act] . . . that the infringer willfully infringe . . . to justify an award of profits" *Id.* at 941. Nevertheless, that statement was purely dicta, as the Seventh Circuit in *Ruolo* noted that the defendant was an intentional infringer and that plaintiff claimed damages based upon its "actual losses rather than on defendant's profits." *Id.* Indeed, nothing in *Ruolo* justifies dispensing with the *per se* rule that an award of profits for federal trademark infringement must be based upon willful or bad faith misconduct. Likewise, considering every case repeating *Ruolo*'s dicta, none of them affirms an award of an infringer's profits against a non-willful or bad faith infringer.

Because all of Respondents' allegedly infringing conduct occurred prior to the 1999 Amendment, the

Petition should be denied for the additional reason that Petitioner cannot show a potentially recurring conflict. Decisions whether to award an infringer's profits based upon infringing conduct occurring after the 1999 Amendment necessarily must consider the effect of the 1999 Amendment. Assuming, *arguendo*, that a conflict of appellate court opinions did exist prior to the 1999 Amendment, that conflict effects, at most, only a few pending federal court cases in which the defendant's alleged infringement occurred prior to the 1999 Amendment. That certainly does not implicate a matter of "public importance," distinct from the parties, as would merit granting a writ.[5] *Layne*, 261 U.S. at 393.

II. Petitioner Has Not Shown An Actual Or Potential Conflict Among Appellate Court Opinions Applying The 1999 Amendment.

A principal purpose for which this Court uses its certiorari jurisdiction "is to resolve conflicts among

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[5] Just two terms ago, the Court was presented with essentially the same question arising from the same Circuit Court. In *Contessa Premium Foods, Inc. v. Berdex Seafood, Inc.*, No. 04-1693, the plaintiff-petitioner sought for review of the Ninth Circuit's decision in that case applying the *per se* rule prohibiting an award of the defendant's profits based upon infringing acts occurring prior to the 1999 Amendment. The *Contessa* petitioner argued that a writ was necessary to resolve a conflict of appellate court decisions applying §1117(a) to claims for infringer profits in federal trademark cases. The Court denied the petition. 546 U.S. 957 (2005). It should do the same in this case.

the United States courts of appeals. . . . concerning the meaning of provisions of federal law." *Braxton v. U.S.*, 500 U.S. 344, 347-349 (1991). However, "Congress itself can eliminate a conflict concerning a statutory provision by making a clarifying amendment to the statute," and where subsequent Congressional acts have been undertaken "that will eliminate circuit conflict," a writ of certiorari should not be granted. *Id.*

In this case, the 1999 Amendment is Congressional action that appears to have eliminated any alleged conflict among appellate court opinions. With respect to infringing acts allegedly occurring after the 1999 Amendment, every reported federal appellate court opinion that has considered the effect of the 1999 Amendment has held that the 1999 Amendment evidences Congressional intent to dispense with the *per se* rule that "willfulness" or "bad faith" is required for an award of profits under §1117(a).

In *Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002), the Fifth Circuit decided the matter first. Relying upon the Congressional intent that it found to be evidenced by the 1999 Amendment, the Fifth Circuit "decline[d] to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits" in favor of a "factor-based approach" under which "willful infringement is an important factor which must be considered when determining whether an accounting of profits is appropriate" for trademark infringement. *Id.* at 349. Notably, the Fifth Circuit

cautioned that, because "there were no references to the term 'willful' in §1117(a)" before the 1999 Amendment, federal court appellate opinions applying §1117(a) to infringements occurring before the 1999 Amendments are of "limited utility" in determining whether an accounting of profits for a trademark violation currently requires a willful or bad faith infringement. *Id.* at 348.

In *Banjo Buddies, Inc. v Renosky*, 399 F.3d 168 (3d Cir. 2005), the Third Circuit adopted the Fifth Circuit's "factor-based approach" for determining "whether an accounting of profits is appropriate" for trademark infringement. *Id.* at 175. As did the Fifth Circuit, the Third Circuit held that "[b]y adding th[e] word [willful] to the statute in 1999, but limiting it to [§1125(c)] [dilution] violations, Congress effectively superseded the willfulness requirement applied to [§1125(a)] [trademark infringement violations]." *Id.* at 174.

Finally, in *Synergistic International LLC v. Korman*, 470 F.3d 162 (4th Cir. 2006), the Fourth Circuit joined the Third and Fifth Circuits in holding that, "although willfulness is a proper and important factor in an assessment of whether to make a damages award [under §1117(a)], it is not an essential predicate thereto." *Id.* at 175. As the Fourth Circuit explained, "[i]n light of . . . [the 1999 Amendment], . . . willfulness is not an essential prerequisite for a damages award" for a trademark infringement

violation, although "it remains a highly pertinent factor."[6] *Id.* at 175 n.13.

Likewise, the other cases cited in the Petition fail to evidence a serious or real conflict of Circuit Court opinions. Most of the decisions cited by Petitioner were decided before the enactment of the 1999 Amendment, and those cannot establish a current conflict. Moreover, the two cases that were decided after the 1999 Amendment – *Western Diversified Services, Inc. v. Hyundai Motor America, Inc.*, 427 F.3d 1269 (10th Cir. 2005), and *Kassbaum v. Steppenwolfe Productions, Inc.*, 236 F.3d 487 (9th Cir.

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[6] Recent federal district court opinions follow the above rulings and further show that a substantial conflict among federal case law does not currently exist. This includes decisions of District Courts in the Second, Eighth and Ninth Circuits. *See, e.g., Nike, Inc. v. Top Brand Co., Ltd.*, 2005 WL 1654859, *10 (S.D.N.Y. July 13, 2005) ("Without reason to believe that the Congress intended to preserve the Second Circuit rule that preceded the 1999 [A]mendment," finding that "the plain language of the statute should govern" and that a showing of "bad faith or intentional misconduct" is not required "to recover profits for [trademark] infringement"); *Wildlife Research Center, Inc. v. Robinson Outdoors, Inc.*, 409 F. Supp. 2d 1131, 1136 (D. Minn. 2005) (despite Eighth Circuit precedent requiring "willfulness" for an accounting of profits for trademark violations, agreeing with the Third and Fifth Circuit decisions that the 1999 Amendment "removes any willfulness requirement for claims based on false or misleading advertising"); *R & R Partners, Inc. v. Tovar*, 2007 WL 1202802, *1 (D. Nev. April 23, 2007) (agreeing with the Third Circuit in *Banjo Buddies* that the "plain language" of the 1999 Amendment "effectively superseded the willfulness requirement" for trademark infringement claims).

2000) – concern only infringing conduct occurring *before* the 1999 Amendment. *See Western Diversified*, 427 F.3d at 1271; *Kassbaum*, 236 F.3d at 490. Because no current conflict exists among opinions of the federal appellate courts on the issue framed by Petitioner, the writ should be denied.

III. The Discretionary Decision Of The Ninth Circuit To Apply A *Per Se* Rule In This Case Followed Established Supreme Court Precedent.

Even assuming, *arguendo*, that the Ninth Circuit's decision in this case evidences a conflict of Circuit Court decisions deciding when an accounting for profits may be awarded for allegedly infringing conduct occurring before the 1999 Amendment, the circumstances of this case do not warrant review. Regardless of dicta appearing in any other Circuit Court opinion, the Ninth Circuit's decision to reject Petitioner's claims for Respondent's alleged profits merely adheres to this Court's precedent.

Since its adoption in 1946, the Lanham Act has provided, pursuant to §1117(a), that an accounting of defendant's profits for trademark infringement will be awarded upon proof of defendant's infringement "subject to the principles of equity." 15 U.S.C. §1117(a). Although the Lanham Act does not define these "principles of equity," decisions of this Court do. One such principle recognized by this Court is the *per se* rule that an award of profits for trademark

infringement requires proof of willful or bad faith misconduct. In *McLean v. Fleming*, 96 U.S. 245 (1878), applying federal common law equitable principles, this Court held that, absent fraudulent intent, "an account of gains and profits [for trademark infringement] . . . is constantly refused" "even where the right of the party to an injunction is acknowledged because of an infringement," or when "the facts proved render it proper to grant an injunction to prevent future infringement." *Id.* at 258. Likewise, in *Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42 (1900), this Court held that, under federal common law, an "innocent" or "good faith" trademark infringer may be enjoined from further infringement, but "not be required to account for gains and profits." *Id.* at 42-43.

Inasmuch as the Ninth Circuit merely followed established Supreme Court precedent to decide which "principles of equity" govern a §1117(a) request for profits in trademark infringement case, no "compelling reason" for review is shown. By its terms, §1117(a) conveys discretion upon the federal courts to decide when to award profits for trademark infringement. In this case, the Ninth Circuit was certainly well within its discretion to enforce a *per se* rule limiting an award of profits to cases in which the allegedly infringing acts were willful or in bad faith. The *per se* rule applied by the Ninth Circuit in this case is the very same *per se* rule that this Court uniformly applied when deciding trademark infringement cases in equity under the common law.

It is also the same *per se* rule applied almost uniformly in Circuit Court opinions deciding whether a defendant's profits could be awarded under §1117(a) for allegedly infringing acts occurring before the 1999 Amendment took effect. And as a matter of federal court discretion, the Ninth Circuit's decision to apply a *per se* rule in this case is clearly not one in which the Circuit Court "has so far departed from the accepted and usual course of judicial proceedings . . . as to call for an exercise of this Court's supervisory power." S. Ct. R. 10(a). Under the circumstances of this case, no compelling reason warrants granting a writ.

CONCLUSION

For the reasons stated, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

M2 SOFTWARE INC., a corporation, Plaintiff-Appellant, v. VIACOM INC., a corporation, et al., Defendants-Appellees.	No. 00-56426 D.C. No. CV-98-08734-RAP Central District of California, Los Angeles ORDER (Filed Sep. 5, 2002)

Before: PREGERSON, REINHARDT and SILVERMAN, Circuit Judges.

We GRANT the parties' joint request for clarification of the court's January 30, 2002 memorandum disposition as follows: We reversed the grant of summary judgment only on M2 Software's federal trademark infringement claim. No other claims were specifically and distinctly argued in M2 Software's opening brief, and thus any other claims were waived. *See Miller v. Fairchild Industries, Inc.*, 797 F.2d 727, 738 (9th Cir. 1986). The motion to withdraw the mandate is DENIED.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

M2 SOFTWARE, INC., Plaintiff, v. VIACOM, INC., et al., Defendants.	CASE NO. CV 98-8734 AHM (Mcx) **ORDER GRANTING DEFENDANTS' MOTION FOR SUMMARY ADJUDICATION RE "MTV2"** (Filed Aug. 9, 2004)

This matter is before the Court on Defendants' "Motion for Summary Adjudication With Respect to the MTV2 Mark and Logo and For an Award of Attorneys' Fees." Defendants base their motion on five main arguments: (1) that Plaintiff waived its claim regarding MTV2 by encouraging Defendants to use that mark and by failing raise the issue on appeal; (2) that the MTV2 logo predates Plaintiff's mark according to the doctrine of tacking; (3) that the addition of the number "2" to Defendants' MTV mark is merely descriptive; (4) that MTV2 constitutes classic fair use; and (5) that there is no likelihood of confusion between the MTV2 logo and Plaintiff's M2 mark. The Court agrees with Defendants on their waiver and estoppel by acquiescence arguments and finds it unnecessary to address the remaining possible grounds for summary adjudication. For the reasons discussed below, the Court GRANTS Defendants' Motion for Summary Adjudication.

PROCEDURAL HISTORY

In July 2000, Judge Richard Paez granted summary judgment to Defendants, holding that Plaintiff's "RLMS system [Record Label Management System] is not related to defendants' M2: Music Television, there is no likelihood of confusion between [sic] the source of the twc products . . . [and] defendants did not infringe plaintiff's M2 trademark and no reasonable jury could conclude otherwise." *M2 Software, Inc. v. Viacom, Inc.*, 119 F. Supp. 2d 1061, 1072 (CD. Cal. 2000) ("Judge Paez's Order").

In an unpublished memorandum disposition, the Ninth Circuit reversed Judge Paez's Order and remanded the case for trial. *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed. Appx. 710 (9th Cir. 2002). The Ninth Circuit held that Plaintiff's trademark encompassed several CD-ROMs in addition to the RMLS system and that "M2 Software has brought forth sufficient evidence that 'would permit a rational factfinder to find a likelihood of confusion' . . . [between M2 Software's music-industry products and] Viacom's M2: Music Television and [its] use of the M2 mark in connection with Intel's Intercast Technology." *Id.* at 712.

The Ninth Circuit later clarified its memorandum, stating that it was only addressing the federal trademark infringement claim because that was the only portion of Judge Paez's Order that Plaintiff had raised on appeal. Joint Status Report Re Ninth Circuit's Order (Sept. 24, 2002), Exh. A. Thus, the

only remaining cause of action is the Lanham Act claim for trademark infringement on a theory of reverse confusion. 15 U.S.C. § 1114.

On March 12, 2004, this Court granted Defendants' Motion for Summary Adjudication of Issues as to Damages and Attorneys' Fees, but denied Defendants' Motion for Summary Judgment because injunctive relief was not moot. The Court's Order only addressed Defendants' use of "M2: Music Television" and did not find it necessary to rule on the availability of relief regarding Defendants' current MTV2 logo. Order Denying Defs.' Mot. for Summ. J. and Granting Partial Summ. Adjudication (Mar. 12, 2004), 6 n.3.

At the Court's suggestion, the parties attempted to enter into a stipulated permanent injunction regarding Defendants' use of M2: Music Television. Defendants proposed a permanent injunction providing, in relevant part:

> 4. Solely as a compromise in an effort to resolve this matter, Defendants agree, without admitting any liability, not to use the specific marks M2 or M2: MUSIC TELEVISION to identify any of Defendants' programming services or to identify any of Defendants' interactive multimedia products; and
>
> 5. Defendants expressly reserve the right to use any and all other names, marks, and logos including, but not limited to, MTV, MTV2, MTV: MUSIC TELEVISION and MTV2: MUSIC TELEVISION, including, without limitation, the MTV2 logo attached

> as Exhibit 1. Defendants further reserve the right to change the name of their programming service at any time to any name other than M2: MUSIC TELEVISION.

Decl. of Larry W. McFarland in Supp. of Defs.' Mot. to Resubmit Their Previously Acted Upon Mot. for Summ. J. or, in the Alternative, Mot. for Reconsideration Re Summ. J; Exh. 1. Plaintiff would not sign this proposed injunction because "if agreed to by Plaintiff, [it] would constitute Plaintiff's complete and conclusive abandonment of all issues concerning the 'M$_{TV}$2' logo currently being used by Viacom." Pl.'s Opp'n to Mot. to Resubmit Mot. for Summ. J., 4:8-16. Defendants' "Motion to Resubmit Their Previously Acted Upon Motion for Summary Judgment or, in the Alternative, Motion for Reconsideration Re: Summary Judgment," essentially sought rulings that injunctive relief regarding M2: Music Television is moot in light of the proposed permanent injunction and that Plaintiff has no claim regarding MTV2 (arguing waiver, tacking, descriptive use, and fair use). The Court denied Defendants' motion on June 16, 2004, instead inviting Defendants to file a separate summary adjudication motion regarding MTV2 so that the parties and Court would have a complete record on the issue.

FACTUAL BACKGROUND

The Court and the parties are already familiar with the facts of this case based on Plaintiff's December 1998 motion for a preliminary injunction and the two previous summary judgment motions and the

Court need not recount them except as they may bear upon the analysis of this motion.

Defendants changed their logo from M2: Music Television to MTV2 in March 1999 after Judge Paez denied M2's motion for a preliminary injunction. From March 1999 through the present, Defendants have changed their MTV2 logo three times. The three iterations, which the Court will refer to as logos I, II, and III, are as follows:

- Logo I
- Logo II
- Logo III

The following time line sets forth the significant events relating to Defendants' use of the MTV2 mark:

DATE	EVENT	CITE
3/28/98	Plaintiff's counsel sends Defendants a cease and desist letter regarding Defendants' use of the M2: Music Television mark. The letter states: "M2 Software is prepared to allow MTV a commercially reasonable time to effect a transition to a different mark – MTV2 makes obvious sense and would not cause the same harm – but MTV must start taking steps now."	Statement of Undisputed Facts and Conclusions of Law ("SUF"), ¶ 4

10/28/98	Plaintiff files Complaint implying that "MTV2" would not infringe: "Plaintiff M2 again assumed that Viacom was instead formulating a new name, such as the 'MTV2' name which Plaintiff's legal counsel had suggested to Viacom in Plaintiffs second letter."	Compl. ¶ 23; SUF ¶ 7.
1/4/99	At the hearing on Plaintiff's motion for a preliminary injunction, Plaintiffs counsel states, "what's going to happen is they're going to change the name over to what people would normally expected, the MTV 2, or whatever other name."	SUF ¶ 8
1/27/99	Judge Paez denies Plaintiff's motion for preliminary injunction, holding that while Plaintiff had shown a likelihood of success on the merits, it unnecessarily delayed in seeking injunctive relief, thereby rebutting any presumption of irreparable harm.	Docket

3/18/99	Defendants change name of their programming from M2: Music Television to MTV2	Caplan Decl., Exh. 7, 87:10-88:7
5/99	Plaintiff's President testified that on this date he first became aware of MTV2 logo I	Escamilla Decl., ¶ 17
5/4/99	Plaintiff's counsel sends Defendants a letter stating: "While we are pleased that defendants have decided to transition away from using M2 and toward using MTV2 (a recommendation that plaintiff made to your clients long before this litigation ensued), we do not believe that we can bring an end to the litigation unless and until defendants compensate M2 Software, Inc. for its damages."	SUF ¶ 9
5/?/99	Defendants change to a different MTV2 logo, although it is not clear whether it is logo II or logo III.	Defs.' Mot., 7:10

8/3/99-9/22/99	Plaintiff takes depositions of six of Defendants' representatives, asking questions regarding the new MTV2 logo, among other topics. For example, in the deposition of Eric Sherman, director of operations for MTV2, Plaintiff's counsel asks: Q: Would you agree with me that the number 2 is perhaps twice as large as the letters T and V? A: Yes.	SUF ¶¶ 12-13; Caplan Decl., Exh. 7 (Sherman Depo.), 91:10-17.
10/4/99	Plaintiff files Opposition to Defendants' first motion for Summary Judgment before Judge Paez ("Paez Opp'n"), analyzing the *Sleekcraft* factors.	SUF ¶ 15
	In Plaintiff's discussion of the fourth factor, actual confusion, Plaintiff argues that a Stanford student was confused even after Defendants changed to MTV2: "Defendants seek to diminish the import of Yaconelli's confusion by claiming that the ... advertisement ran after	Paez Opp'n, 16 n.21

	they allegedly changed the name of their channel from M2 to MTV2. If anything, this demonstrates the magnitude and success of Defendants' advertising efforts. Even months after they have allegedly abandoned the M2 mark, the public still associates the mark with Defendants."	
	In Plaintiff's discussion of the seventh factor, Defendants' intent, Plaintiff argues that Defendant should have chosen to use MTV2, "the non-infringing alternative," from the beginning.	Paez Opp'n, 19:22-26
	In Plaintiff's discussion of the eighth factor likelihood of expansion of the product lines, Plaintiff argues for the first time in a footnote: " . . . the new MTV2 logo, particularly with its dominant features of 'M' and '2' (and subordinate feature 'tv') still causes a likelihood of confusion, especially following on the heels of two-and-a-half years of infringement of Plaintiff's M2® mark."	SUF ¶ 15; Paez Opp'n, 20 n.26.

5/00	Plaintiff's President testified that on this date he first became aware of MTV2 logo II	Escamilla Dec., ¶ 18
7/27/00	Judge Paez grants summary judgment to Defendants, holding that no reasonable jury could find a likelihood of confusion between Plaintiff's mark and M2: Music Television. The order does not discuss MTV2; the introduction merely states that "[f]ollowing the denial of the preliminary injunction, defendants changed the logo of their new programming service from 'M2: Music Television' to 'MTV 2.'"	*M2 Software, Inc., v. Viacom, Inc.*, 119 F. Supp. 2d 1061 (C.D. Cal. 2000)
1/10/01	Plaintiff files Opening Brief with the Ninth Circuit concerning M2: Music Television. Plaintiff does not raise the MTV2 issue. In the portion discussing the eighth *Sleekcraft* factor (likelihood of expansion of product lines), Plaintiff states: "The District Court gave no consideration	SUF ¶ 17

	whatsoever to this factor, saying that it considered it, 'moot, because [Viacom has] stopped using the M2 mark in its programming service.' But, there still existed the issue of whether Viacom had ever *in the past* infringed the M2® mark by attaching an identical 'M2' mark to a product falling squarely within M2's 'natural zone of expansion.' This question was left unanswered by the District Court."	
6/01	Plaintiff's President testified that on this date he first became aware of MTV2 logo III	Escamilla Decl., ¶ 19
11/5/01	In oral argument before the Ninth Circuit, when asked what the remedy would be for infringement, Plaintiff's counsel answered: " . . . actual damage is one component, defendants' profits are another component of it . . . we are also entitled to reasonable royalty that we can prove through a preponderance of the evidence	SUF ¶ 18.

	for the use of the mark during this period of time from August 1, 1996 through the time that they abandoned it in uh beginning of 1999 um that there was an infringement period." Plaintiff does not argue that Defendants' use of "MTV2" continues to infringe.	
1/30/02	Ninth Circuit reverses Judge Paez, holding that he should have considered Plaintiff's CD-ROMs and that "M2 Software has brought forth sufficient evidence that 'would permit a rational fact-finder to find a likelihood of confusion' . . . [between M2 Software's music-industry products and] Viacom's M2: Music Television and [its] use of the M2 mark) in connection with Intel's Intercast Technology."	*M2 Software, Inc., v. Viacom, Inc.*, 30 Fed. Appx. 710, 712 (9th Cir. 2002)
9/5/02	Ninth Circuit provides clarification of its 1/30/02 Order, stating: "We reversed the grant of summary judgment only on	Joint Status Report Re Ninth Circuit's Order (Sept., 24, 2002), Exh. A

	M2 Software's federal trademark infringement claim. No other claims were specifically and distinctly argued in M2 Software's opening brief, and thus any other claims were waived. *See Miller v. Fairchild Industries, Inc.*, 797 F.2d 727, 738 (9th Cir. 1986)."	

SUMMARY JUDGMENT STANDARD

Federal Rule of Civil Procedure 56(c) provides for summary judgment when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." The moving party bears the initial burden of demonstrating the absence of a "genuine issue of material fact for trial." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). A fact is material if it could affect the outcome of the suit under the governing substantive law. *Id.* at 248. The burden then shifts to the nonmoving party to establish, beyond the pleadings, that there is a genuine issue for trial. *Celotex Corp. v. Catrett*, 477 U.S. 317, 324 (1986).

"When the party moving for summary judgment would bear the burden of proof at trial, it must come forward with evidence which would entitle it to a

directed verdict if the evidence went uncontroverted at trial. In such a case, the moving party has the initial burden of establishing the absence of a genuine issue of fact on each issue material to its case." *C.A.R. Transp. Brokerage Co., Inc. v. Darden Rest, Inc.*, 213 F.3d 474, 480 (9th Cir. 2000) (citations omitted). In contrast, when the nonmoving party bears the burden of proving the claim or defense, the moving party can meet its burden by pointing out the absence of evidence from the nonmoving party. The moving party need not disprove the other party's case. *See Celotex*, 477 U.S. at 325. Thus, "[s]ummary judgment for a defendant is appropriate when the plaintiff 'fails to make a showing sufficient to establish the existence of an element essential to [his] case, and on which [he] will bear the burden of proof at trial.'" *Cleveland v. Policy Mgmt. Sys. Corp.*, 526 U.S. 795, 805-06 (1999) (*citing Celotex*, 477 U.S. at 322).

When the moving party meets its burden, the "adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e). Summary judgment will be entered against the nonmoving party if that party does not present such specific facts. *Id.* Only admissible evidence may be considered in deciding a motion for summary judgment. *Id.*; *Beyene v. Coleman Sec. Serv., Inc.*, 854 F.2d 1179, 1181 (9th Cir.1988).

"[I]n ruling on a motion for summary judgment, the nonmoving party's evidence 'is to be believed, and all justifiable inferences are to be drawn in [that party's] favor.'" *Hunt v. Cromartie,* 526 U.S. 541, 552 (1999) (quoting *Anderson,* 477 U.S. at 255). But the nonmoving party must come forward with more than "the mere existence of a scintilla of evidence." *Anderson,* 477 U.S. at 252. Thus, "[w]here the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no genuine issue for trial." *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.,* 475 U.S. 574, 587 (1986) (citation omitted).

DISCUSSION

I. Waiver of Issues

Defendants argue that Plaintiff's counsel's May 4, 1999 letter waived any arguments it may have had regarding MTV2, which was reinforced by Plaintiff's failure to raise the MTV2 issues on appeal to the Ninth Circuit. Plaintiff, on the other hand, contends that it did not waive its right to challenge Defendants' use of MTV2 because the Ninth Circuit reversed Judge Paez's order granting summary judgment as to Plaintiff's trademark claim. Pl.'s Opp'n, 13:17-14:9.

A. Appellate Waiver

Generally, an issue will be considered on appeal only if it was properly preserved for appeal in the

district court and if the issue is "specifically and distinctly" raised and argued in the opening appellate brief. *Singleton v. Wulff,* 428 U.S. 106, 120 (1976); *Indep. Towers of Wash. v. Wash.,* 350 F.3d 925, 929-30 (9th Cir. 2003) ("*ITOW*") (citations omitted); Fed. R. App. P. 28(a)(9)(A). Any issue that the appellant fails to argue on appeal is waived. *Arpin v. Santa Clara Valley Transp. Agency,* 261 F.3d 912, 919 (9th Cir. 2001). If the appellant is challenging the district court's grant of summary judgment and the opening "brief attacks only one of several bases of [the] district court decision, appellant is deemed to have waived the right to challenge the alternative bases of the decision." Goelz & Watts, *Rutter Group Practice Guide: Federal Ninth Circuit Civil Appellate Practice* § 8:315 (The Rutter Group 2003); *see, e.g., MacKay v. Pfeil,* 827 F.2d 540, 542 (9th Cir. 1987).

B. Application to This Case

1. Proceedings Before Judge Paez

On October 4, 1999, Plaintiff filed a brief opposing summary judgment, arguing that Judge Paez should not grant summary judgment to Defendants because a reasonable jury could find a likelihood of confusion between M2 and M2: Music Television. In its *Sleekcraft* analysis, Plaintiff explained that even though Defendants had changed their logo to MTV2, actual confusion still existed:

> Defendants seek to diminish the import of Yaconelli's confusion by claiming that the . . .

> advertisement ran after they allegedly changed the name of their channel from M2 to MTV2. If anything this demonstrates the magnitude and success of Defendants' advertising efforts. Even months after they have allegedly abandoned the M2 mark, the public still associates the mark with Defendants.

Paez Opp'n, 16 n.21. This language could reasonably be construed to show that Plaintiff's focus was on "M2: Music Television." To be sure, however, Plaintiff also argued that the likelihood of expansion factor weighed in its favor, explaining that:

> . . . the new MTV2 logo particularly with its dominant features of "M" and "2" (and subordinate feature "tv") still causes a likelihood of confusion especially following on the heels of two-and-a-half years of infringement of Plaintiff's M2® mark.

Id. at 20 n.26.

Judge Paez did not expressly address these arguments regarding MTV2, but he did grant summary judgment to Defendants, holding that no reasonable jury could find a likelihood of confusion between the parties' marks. Judge Paez found that five out of the eight *Sleekcraft* factors weighed in favor of Defendants, including actual confusion and the likelihood of expansion, the two factors in relation

to which Plaintiff made the MTV2 arguments. *See M2 Software,* 119 F. Supp. 2d at 1070.[1]

2. Proceedings on Appeal

Although Plaintiff arguably raised the MTV2 issue at the district court level, Plaintiff subsequently waived the issue by failing to "specifically and distinctly" raise it in its Opening Brief before the Ninth Circuit. *ITOW,* 350 F.3d at 929. On appeal, Plaintiff argued that Judge Paez should not have granted summary judgment because the M2 trademark

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[1] Plaintiff suggests that Judge Paez's ruling could not have encompassed the MTV2 issues because the parties and Judge Paez did not know of MTV2 logos II and III. Pl.'s Opp'n, 13:22-26. There is no support for this contention. First, even if it were true that only logo I was known at the time, Plaintiff's consumer confusion/"dominant M and 2" argument regarding logo I is the *same argument* it now makes in relation to MTV2 logo III. *See* Pl.'s Opp'n, 6:12-15, 9:13-21. Second, there is little difference between the three MTV2 logos – all contain the MTV logo with a block numeral 2 of approximately equal size to the MTV logo. The main differences between the logos are whether the MTV and numeral two are arranged vertically or horizontally, whether the MTV logo is encompassed in a circle, and whether the MTV is black or white. Third, there is simply no support for Plaintiff's argument that it only knew of logo I at the time of Judge Paez's summary judgment. During Plaintiff's August 3, 1999 deposition of Eric Sherman, MTV2 director of operations, counsel asked questions regarding "what we believe to be the new MTV2 logo." Caplan Decl., Exh. 7 (Sherman Depo.), 90:13-15. It is clear that Plaintiff's counsel was referring to either logo II or logo III because counsel refers to a vertical line separating the MTV logo and the numeral 2, not a horizontal line like logo I used. Id. at 90:13-91:9.

applies to its CD-ROMs in addition to its RMLS software and because "Viacom's use of the M2 mark created a likelihood of confusion." *M2 Software,* 30 Fed. Appx. at 712. It is not clear what specific arguments Plaintiff made in favor of overturning Judge Paez's *Sleekcraft* analysis or whether it may have simply been premised on his failure to include the CD-ROMs in that analysis. The Ninth Circuit's Memorandum never refers to the "MTV2" logo; it only speaks of the "M2: Music Television" logo. Plaintiff did not argue on appeal that Judge Paez's likelihood of confusion analysis was erroneous because it failed to address Plaintiff's arguments regarding actual confusion or a likelihood of expansion based on Defendants' use of the MTV2 logo. In fact, Defendants have demonstrated that Plaintiff me rely argued that Judge Paez erred only in the following manner:

> The District Court gave no consideration whatsoever to [the likelihood of expansion] factor, saying that it considered it, 'moot, because [Viacom has] stopped using the M2 mark in its programming service.' But, there still existed the issue of whether Viacom had ever *in the past* infringed the M2® mark by attaching an identical 'M2' mark to a product falling squarely within M2's 'natural zone of expansion.' This question was left unanswered by the District Court.

SUF ¶ 17 (emphasis added). Plaintiff argued that Judge Paez should have found that Defendants had used the "M2: Music Television" mark on a product within Plaintiff's zone of expansion, not that Judge

Paez should have also found that the infringement was ongoing through Defendants' use of the "MTV2" logo. Thus, Plaintiff waived its arguments here regarding MTV2 by failing to raise them as an alternative basis for reversing Judge Paez's grant of summary judgment.[2] *See MacKay,* 827 F.2d at 542; *see also* Joint Status Report Re Ninth Circuit's Order (Sept. 24, 2002), Exh. A (Ninth Circuit clarification) (claims not "specifically and distinctly argued" are waived).

3. Conclusion

Plaintiff's failure to raise its arguments regarding MTV2 on appeal is sufficient on its own to mandate summary adjudication for Defendants. Nonetheless, the Court will address Defendants' contentions regarding acquiescence to provide guidance to the parties and facilitate resolution of this case.

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[2] The Court's conclusion that Plaintiff waived its arguments regarding "MTV2" is also supported by the Ninth Circuit oral arguments. Plaintiff referred to Defendants' pre-1999 logo as the basis for damages. SUF ¶ 18. Plaintiff now argues that this remark is taken out of context and the MTV2 infringement issue was still alive since Plaintiff only referred to the pre-1999 conduct as "*an* infringement period." (emphasis added). Statement of Genuine Issues ("SGI") ¶ 18. Plaintiff does not, however, provide any other portions of the oral appellate argument that put that statement in context or that show Plaintiff did raise the MTV2 issue.

II. Estoppel by Acquiescence

Defendants also argue that Plaintiff is estopped from arguing that the MTV2 logo infringes its M2 mark because it actively encouraged Defendants to use MTV2 and then delayed in asserting its claims against MTV2. Plaintiff, on the other hand, contends that it only encouraged Defendants to use an MTV2 logo with letters of equal size and that it did not delay in asserting its rights once it became aware of Defendants' MTV2 logo that uses a dominant "M" and dominant "2."

A. Legal Standard

Estoppel by acquiescence is an equitable defense to a claim of trademark infringement. *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1294 (9th Cir. 1992). Acquiescence applies "in those cases where the trademark owner, by affirmative word or deed, conveys its implied consent to another." 5 *McCarthy on Trademarks and Unfair Competition* § 31:41 (4th ed. 2004). The accused infringer must prove three elements to establish estoppel by acquiescence: "(1) the senior user actively represented that it would not assert a right or claim; (2) the delay between the active representation and assertion of the right or claim was not excusable; and (3) the delay caused the defendant undue prejudice." *SunAmerica Corp. v. Sun Life Assurance Co. of Can.*, 77 F.3d 1325, 1334 (11th Cir. 1996). The first element is satisfied by "conduct on the plaintiff's part that amounts to an

assurance to the defendant, express or implied, that the plaintiff would not assert his trademark rights against the defendant." *ProFitness Physical Therapy Ctr. v. Pro-Fit Orthopedic and Sports Physical Therapy P.C.*, 314 F.3d 62, 68 (2nd Cir. 2002) (quotes and citations omitted). Acquiescence does not extend, however, "to a use that has not yet materialized and is not foreseeable." *Id.* at 69.

B. Application to This Case

First, Plaintiff actively represented that it would not assert a claim against Defendants' use of MTV2 on at least four occasions before it waived the issue on appeal. SUF ¶ 4 (Mar. 28, 1998 cease and desist letter), ¶ 7 (Compl. ¶ 23), ¶ 8 (Jan. 4, 1999 preliminary injunction hearing), ¶ 9 (May 4, 1999 letter). Plaintiff argues that it never suggested that Defendants' MTV2 logos were acceptable and that it merely proposed that Defendants use 'MTV2' – all capitals and all the same size." Pl.'s Opp'n, 11:9-15. Essentially, Plaintiff contends that it could not consent to an MTV2 logo that it had not seen or anticipated. None of Plaintiff's representations, however, contains any limitation regarding letter size and it was reasonably foreseeable that the "MTV" portion of the logo would look much like the MTV mark Defendants had used since the 1980s on their original cable television station. *Cf. ProFitness*, 314 F.3d at 69. Moreover, Plaintiff's counsel was aware of the actual MTV2 logo Defendants were using when he sent the May 4, 1999 letter stating:

> While we are pleased that defendants have decided to transition away from using M2 and toward using MTV2 (a recommendation that plaintiff made to your clients long before this litigation ensued), we do not believe that we can bring an end to the litigation unless and until defendants compensate M2 Software, Inc. for its damages.

SUF ¶ 9; *see also* Escamilla Decl., ¶ 17.[3] Plaintiff's repeated statements that MTV2 would be an acceptable alternative for Defendants to use implied active consent.

Second, Plaintiff waited until its October 1999 Opposition brief to assert, for the first time, that Defendants' MTV2 logo was unacceptable and continued to infringe upon its trademark. Plaintiff delayed 18 months from the March 1998 cease and desist letter to assert its claim, delayed over six months from the time Defendants began using the MTV2 logo, and delayed five months from the first date the evidence shows that Plaintiff was aware of Defendants' MTV2 logo. Plaintiff offers no excuse for its delay, except to say that it did not know that the new "MTV2" logo would include a dominant "M" and "2," an argument that fails for the reasons explained in the previous paragraph.

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[3] For the reasons discussed in footnote 2, *supra*, it is irrelevant whether Defendants were using MTV2 logo I, II, or III at the time of the May 4, 1999 letter.

Third, the circumstances strongly suggest that Defendants relied on Plaintiff's representations that MTV2 would be an acceptable logo when Defendants changed their mark from M2: Music Television to MTV2. While Defendants do not explicitly argue reliance, it is implicit in the time line of events. Defendants changed their logo to MTV2 in March 1999, within one year of Plaintiff's repeated recommendation that they use MTV2. The change also came just a few months after Plaintiff argued during the hearing on its motion for a preliminary injunction that Defendants should change to MTV2. Moreover, Defendants continued to use the MTV2 logo after receiving Plaintiff's counsel's May 4, 1999 letter commending Defendants' decision to change logos. Thus, Defendants are also entitled to summary adjudication regarding MTV2 on the basis of estoppel by acquiescence.

III. Other Arguments Regarding MTV2

Defendants also argue that they are entitled to summary adjudication regarding their use of MTV2 because it predates Plaintiff's mark through the doctrine of tacking, because the addition of the number "2" to Defendants' MTV mark is merely descriptive, because MTV2 constitutes classic fair use; and because there is no likelihood of confusion between the MTV2 logo and Plaintiff's M2 mark. The Court declines to address these issues since the Court has already found that Defendants are entitled to summary

adjudication on the bases of waiver and estoppel by acquiescence.

IV. Attorneys' Fees

Defendants seek attorneys' fees and costs related to their lengthy defenses against Plaintiff's MTV2 trademark infringement arguments. Defs.' Mot., 15:28-16:17. The Lanham Act gives courts the authority to award reasonable attorneys' fees to the prevailing party in "exceptional circumstances." 15 U.S.C. § 1117(a). Attorneys fees are warranted if "a plaintiff's case is groundless, unreasonable, vexatious, or pursued in bad faith . . . " *Stephen W. Boney, Inc. v. Boney Servs., Inc.*, 127 F.3d 821, 827 (9th Cir. 1997). Defendants contend that "Plaintiff's argument regarding MTV2 is all of these things." Defs.' Mot., 16:2-3. The Court denies Defendants' request for attorneys' fees because the Lanham Act commits attorneys' fees to the discretion of the court and Plaintiff has not met its burden of showing that this is an "exceptional" case. *See Gracie v. Gracie,* 217 F.3d 1060, 1071 (9th Cir. 2000); *Stephen W. Boney,* 127 F.3d at 827.

CONCLUSION

For the foregoing reasons, the Court hereby GRANTS Defendants' Motion for Summary Adjudication With Respect to the MTV2 Mark and Logo and DENIES Defendants' Motion for an Award of Attorneys'

Fees.[4] In light of this Order and the Court's March 12, 2004 Order, the Court directs Defendants to lodge a proposed consent judgment of permanent injunction consistent with what they had previously proposed and the Court will enter it.

This Order is not intended for publication.

IT IS SO ORDERED.

DATE: August 9, 2004 /s/ A. Howard Matz
A. Howard Matz
United States District Judge

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[4] Docket No. 327.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. CV 98-8734-AHM (Mcx) Date September 28, 2007
Title M2 SOFTWARE, INC. v. VIACOM, INC., et al.

Present: The Honorable A. Howard Matz

Stephen Montes	N/A
Deputy Clerk	Court Report/Recorder Tape No.

Attorneys Present for Plaintiffs:	Attorneys Present for Defendants:
No Appearance	No Appearance

Proceedings: In Chambers

On June 11, 2007, defendants represented that they would serve a Rule 68 Offer of Judgment and in a separate document filed that day plaintiff intimated that it would accept such a basis for settlement. The docket does not reflect that such an exchange has occurred.

Accordingly, the Court now clarifies that the Permanent Injunction and Final Judgment entered on September 8, 2004 should be deemed to extend to Viacom's future use of the "M2: MUSIC TELEVISION" logo, attached as exhibit 2 to that judgment. Phrased another way, that logo does *not* fall within the scope of paragraph 2 (on page 4) of the Permanent Injunction and Final Judgment.

The above clarification necessarily means that this case may be closed, pursuant to the terms of the September 7, 2004 Permanent Injunction and Final Judgment, which is incorporated herein by reference. That Judgment shall govern the parties' rights and obligations.

Initials of Preparer SM

THIS CONSTITUTES NOTICE OF ENTRY AS REQUIRED BY FRP, RULE 77(d)